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Message Text

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DRAFTED BY:D M WINN
APPROVED BY: J W TWINAM
NEA/IRN:M GREENE
----------084264 230603Z /23
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C O N F I D E N T I A L STATE 130371

FOLLOWING REPEAT TEHRAN 4805 ACTION SECSTATE INFO DOHA
JIDDA, KUWAIT, LONDON, MANAMA, AND MUSCAT DATED MAY19, 1978.

QUOTE: C O N F I D E N T I A L TEHRAN 04805

E.O. 11652: GDS
TAGS: ENRG, EINV, TC, IR, UR, US
SUBJ: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM

REF: (A) STATE 122746, (B) TEHRAN 3404

1. WE ARE PREPARED TO RAISE THE CRESCENT PETROLEUM PROBLEM AT THE APPROPRIATE POLITICAL LEVEL (REF A), BUT WE WOULD FIRST LIKE TO BE MORE CERTAIN OF OUR FACTS.

2. ALTHOUGH NIOC IS ALLEGED TO BE TAKING A FIRM POSITION ON RETROACTIVE PAYMENTS TO JULY 1, 1976, AND NEW TAX AND ROYALTY RATES (REF B), WE HAVE ONLY THE CHARGES OF INTERESTED PARTIES THAT IN FACT NIOC IS THE DRIVING FORCE BEHIND THE EFFORTS TO CHANGE THE CONDITIONS OF CRESCENT'S OPERATIONS. SECONDLY, DESPITE OUR RECOMMENDATION THAT COMPANY OFFICIALS OR REPRESENTATIVES COME TO IRAN TO MAKE
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THEIR CASE BEFORE NIOC, WE NOTE THAT ELY AND ROOSEVELT DID NOT COME HERE AND HAVE NOT, TO BEST OF OUR KNOWLEDGE, HAD ANY DIRECT CONTACT WITH NIOC.

3. WE BELIEVE CONSEQUENTLY THAT WE ARE NOT IN A STRONG POSITION TO APPROACH GOI--WE ARE NEITHER ABSOLUTELY CERTAIN OF THE FACTS AND WOULD BE THE POINT MAN

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FOR AN EXERCISE THE COMPANY PROPERLY OUGHT TO UNDERTAKE, IF WE RAISE SUBJECT AT GOVERNMENTAL LEVEL WITHOUT PRIOR COMPANY-TO-COMPANY DISCUSSIONS, WE RISK SERIOUSLY FURTHER HARDENING OF NIOC/GOI POSITION AT THE OUTSET WITH LITTLE FUTURE RECOURSE EXCEPT TO THE SHAH. IT WOULD BE FAR BETTER AND EFFECTIVE IF WE WERE TO BEAR IN AFTER CRESCENT HAS NARROWED THE ISSUES AND PROBED HOW MUCH, IF ANY, FLEXIBILITY THERE IS. WE NOTE FOR EXAMPLE (PARA 4, REF B) THAT NIOC MAY BE PREPARED TO NEGOTIATE ON THE PERIOD OF RETROACTIVITY AND THE RECORD INDICATES CRESCENT HAS SOME ELASTICITY AS WELL ON THIS FACTOR.

4. THEREFORE, WE REITERATE OUR RECOMMENDATION THAT CRESCENT SEND ITS REPRESENTATIVES TO TEHRAN TO DISCUSS SITUATION WITH NIOC. IF THESE DISCUSSIONS BEAR OUT THE SHARJAH ALLEGATION THAT NIOC IS THE REAL SOURCE OF INTRANSIGENCE IN THE NEGOTIATIONS, WE WILL THEN BE PREPARED TO ACT. CRESCENT CAN BE INFORMED THAT WE WILL BE PREPARED TO SUPPORT THEIR CASE WITH GOI ONCE THEY HAVE CLEARLY ESTABLISHED BY CONVERSATIONS HERE IN TEHRAN THAT NIOC IS TRULY THE SOURCE OF THEIR PROBLEM.
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